



Principal Financial Advisors, Inc.

October 2008

Personal & Confidential
Dick Flemmer
Director of Administrative Services
South Dakota Department of Labor
420 South Roosevelt
Aberdeen, SD 57401-4730

RE: South Dakota Department of Labor
Contract No: 4-15193

Dear Mr. Flemmer,

Thank you for being a continuing client of Principal Financial Advisors. Enclosed is a copy of your Investment Advisory Report. We are pleased to continue working with you and hope that you find this summary helpful.

Principal Financial Advisors, Inc., is a registered investment adviser and wholly owned subsidiary of the Principal Financial Group®. Federal securities laws require us to offer you a copy of Principal Financial Advisors ADV Part 2. This filing provides information about Principal Financial Advisors and the services we offer. Please let me know if you would like a copy of the ADV Part 2.

Please contact me at the number below if you have any questions regarding this report.

Best regards,

A handwritten signature in black ink, appearing to read "Eric Howard".

Eric Howard
Advisory Associate
Principal Financial Advisors, Inc.
Ph. (800) 543-4015 Ext. 76519
Fax (515) 247-0669
E-mail: howard.eric@principal.com

A handwritten signature in black ink, appearing to read "David Fee".

David Fee, CFA
Senior Investment Consultant
Advisory Associate
Principal Financial Advisors, Inc.
Ph. (800) 543-4015 Ext. 56277
Fax (515) 247-0669
E-mail: fee.david@principal.com

CC Kathie Volk
William Jordan

P.O. Box 9397, Des Moines, Iowa 50306-9397 1 (800) 543-4015
A member of the Principal Financial Group®

Compliance Approval No. 122322007

Principal Financial Advisors, Inc.



Investment Advisory Report
South Dakota Department of Labor
Contract No. 4-15193
July 01, 2007 - June 30, 2008

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Principal Financial Advisors, Inc. Overview

Making informed and effective asset allocation decisions may be one of the most important – and challenging – endeavors an employer undertakes for their retirement plan. This decision is key in determining whether the plan will meet its long-term investment goals and objectives. At the Principal Financial Group® (The Principal®), we understand the challenges and pressures employers face as a retirement plan sponsor, including the selection of optimal investment options.

For over 20 years, Principal Financial Advisors, Inc., a registered investment advisor, and a member company of the Principal Financial Group® has been providing asset allocation solutions for clients. Today, we manage over \$5.9 billion in assets overall and have over 400 clients using our advisory services for retirement plans.

Our mission is to provide high quality investment advisory and consulting services to help clients meet their goals and objectives by offering premier investment managers and customized asset allocation solutions.

The investment advisory services of Principal Financial Advisors, Inc., are consistent with the following core beliefs:

- 1) Strategic asset allocation decisions are key determinants of investor success.
- 2) Liability analysis and plan sponsor attributes dictate asset allocation decisions for defined benefit plans.
- 3) Diversification by asset class, style, and manager is the primary tool for limiting investment risk.
- 4) Value is added through manager selection.

Principal Financial Advisors, Inc., provides:

- 1) Benefits of the Principal Due Diligence ProgramSM provided by Principal Life Insurance Company.
- 2) Asset liability analysis for defined benefit plans and scenarios to help meet your plan's goals.
- 3) Assumption of fiduciary responsibility for asset allocation decisions.*
- 4) Experienced investment personnel.
- 5) Comprehensive reporting and top-tier client service.

Principal Financial Advisors, Inc., focuses on long-term asset allocation strategies with the goal of providing optimal return and risk scenarios to help meet your defined benefit plan's goals.

* The plan sponsor remains the named fiduciary of the plan, but Principal Financial Advisors, Inc., has been selected as the plan's investment advisor.

Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 07/01/2007 through 06/30/2008					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Large U.S. Equity				
	Large Value				
AllianceBernstein LP	LargeCap Value III Separate Account-R6 ^{2, 19, 24, 35}	\$4,828,529	6.32%	\$3,054,431	4.48%
UBS Global Asset Mgmt (NY)	LargeCap Value I Separate Account-R6 ¹⁷	\$4,850,840	6.35%	\$6,224,799	9.13%
	Large Blend				
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 ⁹	\$9,925,888	13.00%	\$6,047,628	8.87%
	Large Growth				
Columbus Circle Investors	LargeCap Growth Separate Account-R6 ^{13, 26}	\$5,423,309	7.10%	\$4,994,222	7.32%
T. Rowe Price Associates, Inc.	LargeCap Growth I Separate Account-R6 ^{2, 11}	\$5,547,080	7.26%	\$5,043,328	7.39%
	Small/Mid U.S. Equity				
	Mid Cap Value				
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 ^{1, 15, 27}	\$0	0.00%	\$1,236,962	1.81%
	Mid Cap Growth				
Turner Investment Partners	MidCap Growth III Separate Account-R6 ^{1, 14, 29}	\$0	0.00%	\$1,286,456	1.89%
	Small Value				
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 ^{1, 2, 18}	\$1,675,127	2.19%	\$1,227,392	1.80%
	Small Growth				
UBS/Emerald/Essex	SmallCap Growth II Separate Account-R6 ^{1, 2, 7}	\$1,960,333	2.57%	\$1,315,137	1.93%
	International Equity				
	Diversified Emerging Markets				
Principal Global Investors	International Emerging Markets Separate Account-R6 ³	\$1,250,557	1.64%	\$945,067	1.39%
	Foreign Large Blend				
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 ^{3, 17, 21, 33}	\$5,131,245	6.72%	\$4,377,375	6.42%
	Foreign Large Growth				
Principal Global Investors	International Growth Separate Account-R6 ^{2, 3}	\$5,083,410	6.66%	\$4,418,911	6.48%
	Real Estate				
	Owned Real Estate				
Principal Real Estate Inv	U.S. Property Separate Account-R6 ⁵	\$4,789,737	6.27%	\$4,152,425	6.09%
	Specialty-Real Estate				
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 ^{2, 8}	\$1,285,996	1.68%	\$1,477,353	2.17%
	Fixed Income				
	High Yield Bond				
JP Morgan/Lehman Brothers	High Yield I Separate Account-R6 ^{4, 17, 20, 22, 23, 34}	\$1,524,138	2.00%	\$3,129,325	4.59%

Portfolio and Strategic Asset Allocation Review

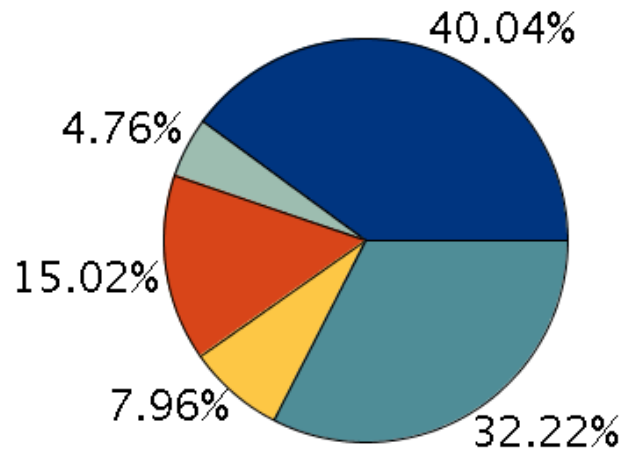
Investment Review - Allocation 07/01/2007 through 06/30/2008					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
Intermediate-Term Bond					
Principal Global Investors	Bond and Mortgage Separate Account-I2 ^{20, 23}	\$17,982,395	23.55%	\$14,761,781	21.64%
Spectrum	Preferred Securities Separate Account-R6 ^{2, 20, 23}	\$1,270,775	1.66%	\$1,106,518	1.62%
Inflation-Protected Bond					
Principal Global Investors	Inflation Protection Separate Account-R6 ^{17, 20, 23}	\$3,827,215	5.01%	\$3,409,836	5.00%
TOTAL		\$76,356,574	100%	\$68,208,946	100%

Please see important disclosures at the end of this presentation.

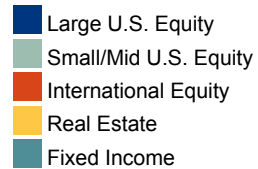
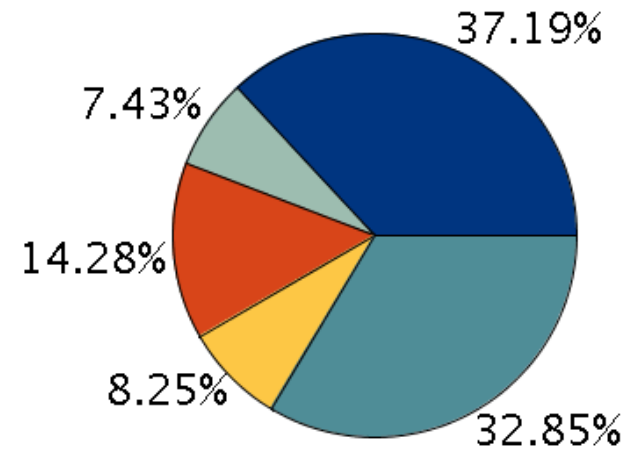
Portfolio and Strategic Asset Allocation Review

Asset Class Breakdown

Beginning % As Of 07/01/2007



Ending % As Of 06/30/2008



Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation at the beginning and end of the reporting period.

Your plan's assets and liabilities are reviewed periodically during the year and we make changes as needed. We will continue to monitor your plan and adjust its allocation as necessary.

Target Allocation 07/01/2007 through 06/30/2008			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Large U.S. Equity	39.30%	36.80%
	Large Value		
AllianceBernstein LP	LargeCap Value III Separate Account-R6 ^{2, 19, 24, 35}	6.20%	4.80%
UBS Global Asset Mgmt (NY)	LargeCap Value I Separate Account-R6 ¹⁷	6.20%	9.20%
	Large Blend		
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 ⁹	13.00%	8.80%
	Large Growth		
Columbus Circle Investors	LargeCap Growth Separate Account-R6 ^{13, 26}	6.80%	7.00%
T. Rowe Price Associates, Inc.	LargeCap Growth I Separate Account-R6 ^{2, 11}	7.10%	7.00%
	Small/Mid U.S. Equity	4.70%	7.20%
	Mid Cap Value		
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 ^{1, 15, 27}	0.00%	1.80%
	Mid Cap Growth		
Turner Investment Partners	MidCap Growth III Separate Account-R6 ^{1, 14, 29}	0.00%	1.80%
	Small Value		
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 ^{1, 2, 18}	2.20%	1.80%
	Small Growth		
UBS/Emerald/Essex	SmallCap Growth II Separate Account-R6 ^{1, 2, 7}	2.50%	1.80%
	International Equity	13.90%	13.90%
	Diversified Emerging Markets		
Principal Global Investors	International Emerging Markets Separate Account-R6 ³	1.40%	1.40%
	Foreign Large Blend		
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 ^{3, 17, 21, 33}	6.30%	6.30%
	Foreign Large Growth		
Principal Global Investors	International Growth Separate Account-R6 ^{2, 3}	6.20%	6.20%
	Real Estate	8.10%	8.10%
	Owned Real Estate		
Principal Real Estate Inv	U.S. Property Separate Account-R6 ⁵	6.00%	6.00%
	Specialty-Real Estate		
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 ^{2, 8}	2.10%	2.10%

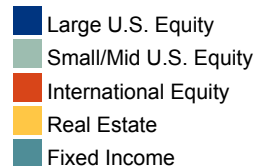
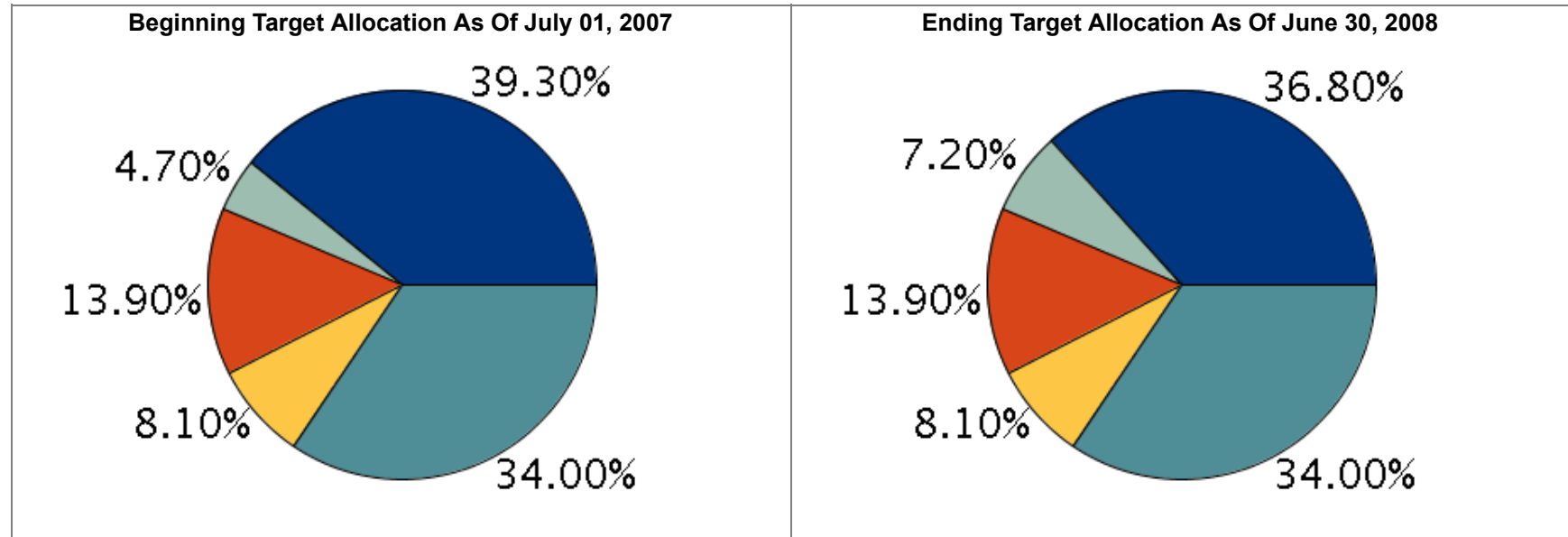
Portfolio and Strategic Asset Allocation Review

Target Allocation 07/01/2007 through 06/30/2008			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Fixed Income	34.00%	34.00%
	High Yield Bond		
JP Morgan/Lehman Brothers	High Yield I Separate Account-R6 ^{4, 17, 20, 22, 23, 34}	2.00%	4.40%
	Intermediate-Term Bond		
Principal Global Investors	Bond and Mortgage Separate Account-I2 ^{20, 23}	25.20%	22.80%
Spectrum	Preferred Securities Separate Account-R6 ^{2, 20, 23}	1.70%	1.70%
	Inflation-Protected Bond		
Principal Global Investors	Inflation Protection Separate Account-R6 ^{17, 20, 23}	5.10%	5.10%

Please see important disclosures at the end of this presentation.













Portfolio and Strategic Asset Allocation Review

Please note that a slight variance between your plan's target allocation displayed in this report and its weightings is normal. This variance is due to changes in your account values caused by fluctuations in the market. We periodically initiate rebalancing transfers to bring the plan's assets back to its target allocation.



Portfolio and Strategic Asset Allocation Review

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Large U.S. Equity		
Large Value	Large Blend	Large Growth
<p>LargeCap Value III Separate Account-R6^{2, 19, 24, 35}</p>  <p>LargeCap Value I Separate Account-R6¹⁷</p> 	<p>LargeCap Blend I Separate Account-R6⁹</p> 	<p>LargeCap Growth Separate Account-R6^{13, 26}</p>  <p>LargeCap Growth I Separate Account-R6^{2, 11}</p> 
Small/Mid U.S. Equity		
Mid Cap Value	Mid Cap Blend	Mid Cap Growth
<p>MidCap Value III Separate Account-R6^{1, 15, 27}</p>  <p>BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.</p>		<p>MidCap Growth III Separate Account-R6^{1, 14, 29}</p> 
Small Value	Small Blend	Small Growth
<p>SmallCap Value I Separate Account-R6^{1, 2, 18}</p>  		<p>SmallCap Growth II Separate Account-R6^{1, 2, 7}</p>   

Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
<p>International I Separate Account-R6^{3, 17, 21, 33}</p>  <p>International Emerging Markets Separate Account-R6³</p> <p>International Growth Separate Account-R6^{2, 3}</p> 	<p>Real Estate Securities Separate Account-R6^{2, 8}</p> <p>U.S. Property Separate Account-R6⁵</p> <p>Principal Real Estate Investors</p>	
Short-Term Fixed Income	Fixed Income	
<p>Money Market Separate Account-R6⁶</p> 	<p>General Investment Account⁺</p> <p>High Yield I Separate Account-R6^{4, 17, 20, 22, 23, 34}</p>  <p>LEHMAN BROTHERS ASSET MANAGEMENT</p> <p>Bond and Mortgage Separate Account-I2^{20, 23}</p> <p>Inflation Protection Separate Account-R6^{17, 20, 23}</p>  <p>Preferred Securities Separate Account-R6^{2, 20, 23}</p> 	

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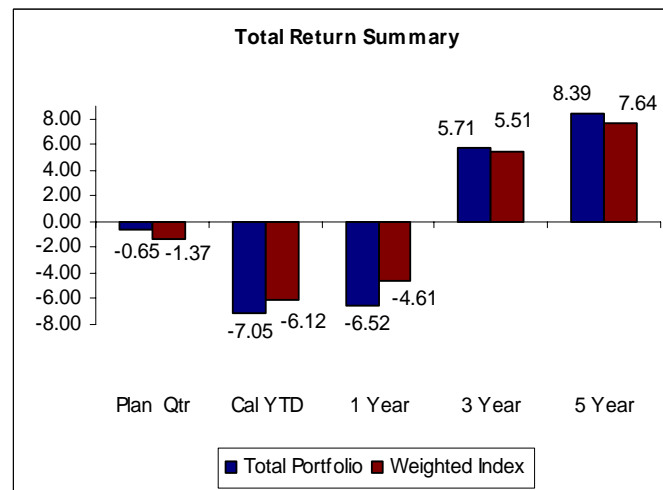
Portfolio Performance Review

South Dakota Dept of Labor 4-15193

Time & Dollar Weighted Rates of Return
June 30, 2008

Time & Dollar Weighted Returns	Plan Qtr	Cal YTD	1 Year	3 Year	5 Year
Total Portfolio	-0.65	-7.05	-6.52	5.71	8.39
Weighted Index	-1.37	-6.12	-4.61	5.51	7.64

Asset Class Return Information	Plan Qtr	Cal YTD	1 Year	3 Year	5 Year
Portfolio's Fixed Income Return	-0.38	-1.72	0.63	2.14	2.87
Lehman Bros Aggregate Bond Index	-1.02	1.13	7.13	4.08	3.86
Portfolio's Domestic Equity Return	-1.07	-11.26	-13.24	4.61	8.76
Russell 3000 Index	-1.69	-11.05	-12.68	4.73	8.38
Portfolio's International Equity Return	0.93	-8.80	-5.22	16.98	20.52
MSCI EAFE Index	-2.26	-10.96	-10.61	12.84	16.67
Portfolio's Real Estate Return	-2.16	-1.13	1.91	11.74	14.44
Custom Real Estate Benchmark (75% NCREIF Open, 25% MSCI US REIT)	-1.04	0.43	2.42	11.80	14.19



Weighted Index: 02/28/07 - Current 40% Lehman Aggregate Bond Index, 46.1% Russell 3000 Index, 13.9% MSCI EAFE Index.
 11/30/03 - 02/28/07 40% Lehman Aggregate Bond Index, 50.0% Russell 3000 Index, 10.0% MSCI EAFE Index.
 12/31/99 - 11/30/03 36% Lehman Aggregate Bond Index, 54.6% Russell 3000 Index, 9.4% MSCI EAFE Index.

Principal Financial Advisors, Inc. is a member of the Principal Financial Group and is a registered investment advisor.
 Insurance products and plan administrative services are provided by Principal Life Insurance Company, Des Moines, IA 50392-0001.

Market & Performance Commentary

Market Overview

A Brief Respite from the Storm

Investor sentiment improved during the first two months of the second quarter, following the first quarter's credit crisis and Federal Reserve Board's aggressive actions to improve liquidity. The Fed's April 30th decision to lower the fed funds rate a further 0.25%, to 2.00%, also benefited the markets. In this environment equities performed well, as did fixed-income securities having risk premiums (i.e., non-Treasury securities), and the flight to high-quality U.S. Treasuries eased.

However, June brought a different story. Renewed stress in the financial sector, which experienced the start of another round of significant write-downs and layoffs, quickly dampened the markets. Also, inflation continued to climb, with headline inflation — which includes food and energy costs — rising 5% year-over-year (through June), the fastest pace since May 1991. By June 30 oil futures had risen 38% to \$140 per barrel, the biggest quarterly percentage increase since the first quarter of 1999. Consumers, faced with soaring oil prices and the corresponding rise in inflation, began to curtail discretionary spending.

As inflation and energy concerns spread, the Fed focused on addressing climbing oil prices, a weak U.S. dollar and stronger-than-anticipated economic growth. Meanwhile, investors' mood soured, and most of the gains experienced in April and May were erased by the end of June. The Dow Jones Industrial Average, for example, ended the quarter down nearly 20% from its October 2007 record high, and near the brink of bear-market territory.

U.S. Equities Start Well, Then Falter

In the first two months of the second quarter, the broad U.S. equities market gained more than 7%. Then in June, surging oil prices — coupled with renewed credit market troubles and rising inflation — sent U.S. equities tumbling. As a result, the U.S. equities market experienced a one-month drop of 8.3%, its biggest monthly loss since Sept. 2002. For the quarter U.S. equities returned -1.7%.

In a performance reversal from the first quarter — when value stocks outperformed growth stocks and large-caps beat small-/mid-caps — growth surpassed value and small-/mid-caps beat large-caps in the second quarter. Large-cap value stocks suffered significant losses due primarily to the poor performance of large companies in the financial sector, which tends to dominate value indexes.

Market & Performance Commentary

Most International Stocks Lose More Ground

In the wake of first-quarter losses, most developed and emerging markets outside the U.S. were down for the second quarter as well. As the quarter progressed, inflation became a primary concern world-wide, and global credit fears — sparked by a new wave of write-downs and layoffs in the U.S. financial sector — came back to haunt. At quarter-end, Merrill Lynch economists estimated that global inflation stood at 5.5%, due mainly to soaring energy and food prices.

Some emerging markets, such as China and India, struggled with both high inflation and the after-effects of extreme stock run-ups in 2007. In China — where some stocks traded at 50 times earnings last year — the market was down 48% for the first six months of 2008. Meanwhile, India lost 14% in the second quarter as double-digit inflation scared many investors out of the market.

Japan, Brazil and Canada are several countries that posted positive returns in the second quarter. Japan, which has managed to hold inflation in check for years, was up 7.6% for the three-month period (as measured by the Nikkei Stock Average). Brazil and Canada experienced their respective gains of 7.1% and 7.7% (as measured by Dow Jones global indexes) due primarily to an emphasis on commodities exports.

Real Estate Also Rallies, Then Falls

Similar to other asset classes, real estate trended upward through May. Then, with escalating concerns about inflation and the re-ignited credit crisis, real estate sold off sharply. A variety of worries weighed on the sector, including tightening credit conditions, weak consumer spending and general fear that the myriad of problems in residential real estate would spread to other sectors of the real estate market.

Investors Show Renewed Interest in Non-Treasury Sectors, Then Retreat

For the first two-plus months of the quarter, it appeared that non-Treasury sectors were regaining their footing. The credit crisis appeared to have eased, and flight to the relative safety of U.S. Treasuries had abated. The pace of movement to non-Treasury holdings quickened to the point that, by early June, investors were selling U.S. Treasury holdings at a furious clip and buying riskier issues. But in mid-June a mix of concerns — including newly-revealed credit problems for more investment banks and bond insurers and high oil and food prices — motivated worried investors to sell off and move back into Treasuries.

Despite the late shift back to Treasuries, high-yield securities, as well as all investment-grade non-Treasury sectors, outperformed Treasuries for the quarter. Initially believing the credit crisis had passed, investors took advantage of widening risk premiums (relative to Treasuries) in all sectors. High-yield bonds led all fixed-income for the quarter; commercial mortgage-backed securities led investment-grade performance, followed by corporate bonds. The quick move back into Treasuries at quarter-end did not deliver enough return to offset the movement out of Treasuries earlier in the quarter.

Market & Performance Commentary

Performance versus Index

Index	June 30, 2008	
	Qtr (%)	Last 12 months (%)
Russell 3000 Index (Broad Market)	-1.69	-12.68
S&P 500 Index (Quality Large Caps)	-2.72	-13.10
NASDAQ Composite	0.61	-11.91
Russell Mid-Cap Index	2.68	-11.20
Russell 2000 Index (Small Caps)	0.58	-16.19
Russell 1000 Value	-5.32	-18.79
Russell 1000 Growth	1.26	-5.96
MSCI EAFE (Core International)	-2.26	-10.61
MSCI Emerging Markets (Developing Economies)	-0.85	4.64
MSCI US REIT	-5.47	-14.14
Citigroup 3 Month T-Bill	0.40	3.34
Lehman US Tips	-0.28	15.09
Lehman Long-Term Treasury	-2.23	12.65
Lehman Aggregate	-1.02	7.13
Lehman High Yield	1.75	-2.26

Second Quarter 2008 Performance Summary:

The portfolios of Principal Financial Advisors, Inc. had a strong quarter. Although absolute returns were negative, each of the portfolios outperformed its target index. In a reversal of its recent trend, our fixed-income segment outperformed the Lehman Aggregate Bond Index, which boosted the returns of the fixed-income-focused portfolios.

Market & Performance Commentary

US Equity Contributors and Detractors

The U.S. equity segment outpaced the broad Russell 3000 index. Performance was driven by favorable results in our growth options, all of which posted positive returns and easily outperformed the Russell 3000 index. The LargeCap Growth Separate Account, sub-advised by Columbus Circle Investors, and the LargeCap Growth I Separate Account, sub-advised by T. Rowe Price, were particularly strong contributors. Both options benefited from favorable stock selection, particularly in the materials sector. A tilt toward momentum stocks (i.e., those stocks exhibiting upwards price or earnings trends) within the LargeCap Growth Separate Account, sub-advised by Columbus Circle Investors, was rewarded. Finally, although value lagged growth, the MidCap Value III Separate Account, sub-advised by Principal Global Investors and Barrow Hanley, contributed positively to returns.

Poor performance in the large-cap value options offset these positive results. The LargeCap Value III Separate Account, sub-advised by Alliance Bernstein, was the worst individual performer, dramatically underperforming both its style-specific index and the broad Russell 3000 index. Poor stock selection plagued results, especially in the consumer discretionary and energy sectors. A lower price-to-book profile — reflecting the option's deep value bias — was an additional detriment. The LargeCap Value I Separate Account, sub-advised by UBS, also dragged on results relative to the Russell 3000, although the option outpaced its style-specific index, thanks to solid stock selection.

International Equities Excel

All of our international equity portfolios contributed favorably to results by outpacing the MSCI EAFE index. The International Growth Separate Account, sub-advised by Principal Global Investors, aided results the most with its positive absolute and index-relative returns. This option benefited from strong results in Europe, where overweights to momentum stocks and energy were helpful.

Fixed-Income Segment Rebounds

All of our fixed-income options, with the exception of the Preferred Securities Separate Account, sub-advised by Spectrum, outpaced the Lehman Aggregate Bond Index. The High Yield I Separate Account performed best. Although the option trailed its style-specific benchmark, high yield as an asset class enjoyed renewed demand and easily outperformed the Lehman Aggregate Bond Index. The Bond and Mortgage Separate Account, sub-advised by Principal Global Investors, also aided results. The market environment favored the option's strategy of underweighting Treasuries in favor of higher-yielding asset classes, including corporate debt and commercial mortgage-backed securities. The Preferred Securities Separate Account, sub-advised by Spectrum, underperformed relative to all of our other fixed-income options. Although the option outpaced its style-specific index, preferred securities as an asset class struggled due to heavy exposure to the financial sector.

Real Estate Options Generate Negative Absolute Returns

The Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors, outperformed its index due to strong stock selection within the specialized REITs and retail REITs. The owned real estate investment option (U.S. Property Separate Account, sub-advised by Principal Real Estate Investors) broke a long-term trend and generated a negative absolute return. Write-downs on multiple portfolio assets weighed on performance, reflecting a re-pricing of risk by the market and higher required rates of return for private real estate.

Market & Performance Commentary

Last 12 months Ending June 30, 2008

Our non-U.S. stock segment offset weak results in fixed income and U.S. equities. All of our portfolios trailed their custom benchmarks, with the fixed-income portfolios generating the worst index-relative returns.

U.S. Equities Lag Benchmark

The U.S. equity portion of the portfolios lagged the Russell 3000 Index. The LargeCap Value III Separate Account, sub-advised by Alliance Bernstein, detracted the most. Weak stock selection, specifically in the energy and financial sectors, hampered results. A lower price-to-book profile, which was not rewarded in the growth-oriented environment, was another significant detractor. The LargeCap Value I Separate Account, sub-advised by UBS, also dragged on results relative to the Russell 3000 Index, although it performed in line with its style-specific index.

Though we strategically reduced the weighting of the Large-Cap Blend I Separate Account, sub-advised by Goldman Sachs, during the first quarter of 2008, it remained our largest holding for the 12-month period. The option struggled during the volatile second half of 2007, which proved to be a difficult environment for the quantitative models driving the option's investment process. Performance has recently improved, with favorable results in the second quarter.

On a positive note, performance was enhanced by the Large Company Growth Separate Account, sub-advised by Columbus Circle Investors. This option outpaced the Russell 3000 index. It benefited from a tilt toward momentum stocks as well as tremendous stock selection in health care and materials. The LargeCap Growth I Separate Account, sub-advised by T. Rowe Price, also contributed to results relative to the broad U.S. equity index, even though the option lagged its style-specific benchmark.

International Equities Aid Results

All of our international equity options contributed to our outperformance relative to the broad international index. The International Emerging Markets Separate Account, sub-advised by Principal Global Investors, led the pack as the only option with a positive absolute return. Although this option trailed its style-specific index, the portfolio generated returns well above the broad international universe. Favorable stock selection in Indonesia, Russia and South Korea helped, as did an overweight to top-performing Brazil.

Market & Performance Commentary

Fixed Income Hampers Performance

The fixed-income segment dramatically underperformed for the 12-month period. Beginning with the onset of the credit crunch in mid-2007, Treasury debt performed best within fixed income, so our strategy of underweighting Treasuries in favor of historically higher-yielding sectors was not rewarded. The Bond and Mortgage Separate Account, sub-advised by Principal Global Investors, suffered in this environment as it favors higher-yielding, non-Treasury asset classes. Also, the Preferred Securities Separate Account, sub-advised by Spectrum, underperformed the Lehman Aggregate by more than 16 percent for the period and hampered our fixed-income performance. Preferred securities were volatile because most issuers of preferreds tend to be from the troubled financial sector. An allocation to the High Yield Separate Account, sub-advised by Lehman Brothers and JP Morgan, also hindered. The Inflation Protection Separate Account, sub-advised by Principal Global Investors, was the only option to contribute positively to absolute returns. Unfortunately, an emphasis on non-Treasury securities led the option to underperform both the broad fixed-income benchmark and its style-specific index. Effective June 30, 2008 the Inflation Protection Separate Account was placed on the Quantitative Watch List by Principal Life Insurance Company after scoring Less Favorable for three out of four consecutive quarters. We continue to monitor the option closely. Since the fourth quarter of 2007 all cash flows received in the account have been directed to the purchase of Treasury Inflation-Protected Securities.

Mixed Results in the Real Estate Segment



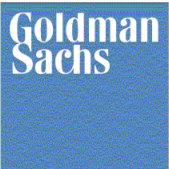
The owned real estate investment option (U.S. Property Separate Account, sub-advised by Principal Real Estate Investors) made a solid contribution to the portfolios on an absolute basis. An emphasis on office properties over retail properties was quite favorable. In contrast, the Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors, generated negative absolute returns, but outpaced its style-specific index, due to beneficial stock selection.

Our Goal: Strong Long-Term Performance





Principal Financial Advisors recognizes that investing for retirement requires a long-term perspective. We implement and maintain a core asset allocation strategy for each client based on a solid set of fundamental views that are designed to help maximize long-term returns while helping to control long-term risks. In this manner, we can help avoid overreacting to short-term market events —such as the current short-term market volatility — that many times have little if any impact on a portfolio when compared to the portfolio's overall long-term performance. Instead, we strive to deliver consistently strong investment results over the long-term for our clients' benefit.

Due Diligence Update

Over the past year the following changes have been made to the managers Principal Financial Advisors, Inc. utilizes in its asset allocation services.

Investment Manager	Investment Option	Description of Change
 	High Yield I Separate Account	Added Sub-Advisors JP Morgan and Lehman Brothers in July 2007; Post Advisory Group resigned in December 2007 – Post Advisory Group had been the sole sub-advisor on the High Yield Separate Account since its inception in December 2004. At the time Post was hired, they allocated The Principal® a certain amount of capacity, which had been reached. JP Morgan and Lehman Brothers were hired by Principal Life Insurance Company in order to provide additional capacity. JP Morgan incorporates a value-oriented approach involving active investment management and disciplined risk control. Lehman Brothers employs a proactive investment process that incorporates experience and investment judgment supported by risk management techniques. Assets have been divided so that JP Morgan and Lehman Brothers each have approximately 50% of the entire portfolio.
 Asset Management	Large-Cap Blend I Separate Account	Placed on Watch List in March 2008 – This Separate Account received a quantitative grade of "Less Favorable" for three out of four quarters based on the quantitative scoring criteria of the Principal Due Diligence Program. From November 30, 2002 to November 13, 2006, Wellington Management sub-advised 30% of the investment option and historically their portion was a key underperformance driver. This ultimately led to Wellington's removal in November 2006. Goldman had a disappointing 2007 which resulted in continued underperformance. However, the quantitative grade for this investment option improved to "Neutral" as of June 30, 2008. The due diligence team of Principal Life Insurance Company will continue to monitor performance of this investment option.*

Due Diligence Update

  	<p>LargeCap Value III Separate Account</p>	<p>Removed from Watch List in June 2008 – Although AllianceBernstein has historically been a strong value manager, periods of underperformance triggered placement on the Watch List in June 2007. The due diligence team of Principal Life Insurance Company sought a complementary investment manager who would help to avoid extended periods of underperformance without drastically reducing the potential for outperformance. Westwood Management Corp. was added as a second sub-advisor effective July 15, 2008, and this investment option was removed from the Watch List. The portfolio management team of Principal Financial Advisors continues to utilize this Separate Account in its portfolio; however, its weighting has been reduced from previous levels.</p>
	<p>Inflation Protection Separate Account</p>	<p>Placed on Watch List in June 2008 – This Separate Account received a quantitative grade of "Less Favorable" for three out of four quarters based on the quantitative scoring criteria of the Principal Due Diligence Program. Amidst a staggering credit crunch, the strategy of underweighting government securities in favor of what were believed to be higher-yielding asset classes proved detrimental to performance. The due diligence team of Principal Life Insurance Company will conduct an in-depth review of this investment manager's organization and investment process and will continue to monitor performance.*</p>

Investment Option Performance

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown.

The gross total investment expense figure does not reflect any waivers or caps on the mutual fund or underlying mutual fund in which a Separate Account invests. Returns displayed are always based on net total investment expense.

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service CenterSM at www.principal.com, contact your representative of the Principal Financial Group® (The Principal®), or call our Client Contact Center at 1-800-547-7754.

Rates of Return through 06/30/2008									Percentile Rankings as of 06/30/2008					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Large U.S. Equity													
	Large Value													
AllianceBernstein LP	LargeCap Value III Separate Account-R6 ^{2, 19, 24, 35}	-17.42	-24.88	0.30	5.95	-	3.94	12/29/2000	-	88	83	80	-	0.92
	Russell 1000 Value Index	-13.57	-18.77	3.52	8.92	4.91	-	-	-	-	-	-	-	-
UBS Global Asset Mgmt (NY)	LargeCap Value I Separate Account-R6 ¹⁷	-13.22	-18.40	3.40	-	-	5.80	06/01/2004	-	58	46	-	-	0.96
	Russell 1000 Value Index	-13.57	-18.77	3.52	8.92	4.91	-	-	-	-	-	-	-	-
	Morningstar Category Average - Large Value	-13.04	-17.88	3.05	7.76	4.16	Total Funds in Category		1482	1418	1180	926	425	-
	Large Blend													
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 ⁹	-10.73	-14.71	3.47	7.39	0.07	6.23	06/01/1995	-	76	69	49	95	0.76
	Standard & Poor's 500 Index	-11.91	-13.11	4.40	7.58	2.88	-	-	-	-	-	-	-	-
	Morningstar Category Average - Large Blend	-11.18	-12.26	4.54	7.63	3.32	Total Funds in Category		2158	2068	1703	1316	654	-
	Large Growth													
Columbus Circle Investors	LargeCap Growth Separate Account-R6 ^{13, 26}	-10.78	1.10	9.64	11.28	1.67	7.66	06/01/1995	-	12	11	9	63	0.71
	Russell 1000 Growth Index	-9.05	-5.95	5.91	7.32	0.95	-	-	-	-	-	-	-	-
T. Rowe Price Associates, Inc.	LargeCap Growth I Separate Account-R6 ^{2, 11}	-9.29	-8.73	3.95	6.51	-	-0.89	12/29/2000	-	68	73	68	-	0.89
	Russell 1000 Growth Index	-9.05	-5.95	5.91	7.32	0.95	-	-	-	-	-	-	-	-
	Morningstar Category Average - Large Growth	-10.37	-6.01	5.87	7.81	2.61	Total Funds in Category		1865	1776	1484	1211	589	-
	Small/Mid U.S. Equity													
	Mid Cap Value													
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 ^{1, 15, 27}	-9.16	-16.47	3.67	9.74	5.25	10.97	01/01/1991	-	53	55	65	87	0.81
	Russell Midcap Value Index	-8.58	-17.08	4.96	13.00	8.44	-	-	-	-	-	-	-	-
	Morningstar Category Average - Mid Cap Value	-8.87	-16.83	3.92	10.71	8.05	Total Funds in Category		450	418	316	224	69	-
	Mid Cap Growth													
Turner Investment Partners	MidCap Growth III Separate Account-R6 ^{1, 14, 29}	-9.21	-0.94	9.97	13.04	-	4.33	10/28/1999	-	23	29	27	-	1.16
	Russell Midcap Growth Index	-6.81	-6.42	8.19	12.32	5.64	-	-	-	-	-	-	-	-
	Morningstar Category Average - Mid Cap Growth	-8.88	-6.52	7.84	11.09	5.86	Total Funds in Category		978	944	811	682	324	-

Investment Option Performance

Rates of Return through 06/30/2008																Percentile Rankings as of 06/30/2008					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross							
	Small Value																				
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 ^{1, 2, 18}	-10.05	-22.67	0.10	9.92	-	12.28	12/31/2002	-	71	73	52	-	1.17							
	Russell 2000 Value Index	-9.84	-21.63	1.39	10.01	7.46	-	-	-	-	-	-	-	-							
	Morningstar Category Average - Small Value	-8.40	-19.81	1.74	9.75	7.63	Total Funds in Category		457	439	331	265	108	-							
	Small Growth																				
UBS/Emerald/Essex	SmallCap Growth II Separate Account-R6 ^{1, 2, 7}	-9.74	-13.85	3.63	9.00	-	0.92	12/29/2000	-	47	56	56	-	1.16							
	Russell 2000 Growth Index	-8.92	-10.83	6.07	10.36	2.79	-	-	-	-	-	-	-	-							
	Morningstar Category Average - Small Growth	-11.62	-13.94	4.10	9.24	5.17	Total Funds in Category		875	854	704	570	272	-							
	International Equity																				
	Diversified Emerging Markets																				
Principal Global Investors	International Emerging Markets Separate Account-R6 ³	-11.43	4.49	29.93	31.88	15.63	13.76	01/01/1995	-	38	16	10	36	1.51							
	MSCI - Emerging Markets NDTR D Index	-11.76	4.63	27.11	29.71	-	-	-	-	-	-	-	-	-							
	Morningstar Category Average - Diversified Emerging Markets	-11.59	2.26	25.92	28.30	14.60	Total Funds in Category		309	292	216	188	109	-							
	Foreign Large Blend																				
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 ^{3, 17, 21, 33}	-9.99	-7.02	14.38	17.98	-	6.25	07/01/1999	-	29	36	18	-	1.28							
	MSCI - EAFE Index NDTR D	-10.95	-10.61	12.83	16.66	5.83	-	-	-	-	-	-	-	-							
	Morningstar Category Average - Foreign Large Blend	-10.71	-9.03	13.41	15.90	5.28	Total Funds in Category		813	759	555	446	236	-							
	Foreign Large Growth																				
Principal Global Investors	International Growth Separate Account-R6 ^{2, 3}	-6.93	-6.49	15.55	19.15	-	8.05	12/29/2000	-	53	31	10	-	1.16							
	MSCI World Ex US Growth Index	-6.34	-1.69	16.02	17.22	4.73	-	-	-	-	-	-	-	-							
	Morningstar Category Average - Foreign Large Growth	-10.77	-6.20	14.72	16.10	5.54	Total Funds in Category		238	225	180	155	75	-							
	Real Estate																				
	Owned Real Estate																				
Principal Real Estate Inv	U.S. Property Separate Account-R6 ⁵	-0.26	5.86	12.14	12.54	10.34	7.73	01/01/1982	-	-	-	-	-	1.15							
	NCREIF Open End Benchmark	1.45	7.91	13.76	13.69	11.39	-	-	-	-	-	-	-	-							
	Specialty-Real Estate																				
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 ^{2, 8}	-3.65	-12.53	5.27	15.10	-	16.25	12/31/2002	-	13	37	30	-	1.13							
	MSCI US REIT Index	-3.44	-14.14	4.80	14.08	10.55	-	-	-	-	-	-	-	-							
	Morningstar Category Average - Specialty-Real Estate	-7.81	-17.33	4.04	13.49	10.46	Total Funds in Category		432	391	278	190	88	-							
	Short-Term Fixed Income																				
	Money Market																				
Principal Global Investors	Money Market Separate Account-R6 ⁶	1.48	3.90	4.17	2.95	3.42	6.04	12/10/1980	-	-	-	-	-	0.56							
	Lehman Brothers Treasury Bellwethers 3 Month Index	1.30	3.81	4.35	3.22	3.66	-	-	-	-	-	-	-	-							

Investment Option Performance

Rates of Return through 06/30/2008									Percentile Rankings as of 06/30/2008					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Fixed Income													
	High Yield Bond													
JP Morgan/Lehman Brothers	High Yield I Separate Account-R6 ^{4, 17, 20, 22, 23, 34}	-0.67	-1.25	4.31	-	-	4.04	12/31/2004	-	27	41	-	-	0.82
	Lehman Brothers US Corporate High Yld 2% Issuer Capped Index	-1.08	-1.74	4.48	6.83	5.00	-	-	-	-	-	-	-	-
	Morningstar Category Average - High Yield Bond	-2.09	-3.40	3.76	5.98	3.66	Total Funds in Category		571	556	473	410	213	-
	Intermediate-Term Bond													
Principal Global Investors	Bond and Mortgage Separate Account-I2 ^{20, 23}	-2.19	0.74	2.18	2.93	5.24	8.58	02/01/1983	-	80	72	57	23	0.55
	Lehman Brothers Aggregate Bd Index	1.12	7.12	4.08	3.85	5.68	-	-	-	-	-	-	-	-
Spectrum	Preferred Securities Separate Account-R6 ^{2, 20, 23}	-1.14	-8.87	-0.77	1.00	-	2.75	05/31/2002	-	98	98	97	-	0.91
	Preferreds Blended Index	-2.51	-10.91	-1.34	1.00	-	-	-	-	-	-	-	-	-
	General Investment Account	0.09	3.73	2.43	3.18	4.77	-	06/15/1941	-	-	-	-	-	
	Morningstar Category Average - Intermediate-Term Bond	-0.73	3.37	2.57	2.88	4.77	Total Funds in Category		1157	1121	986	828	436	-
	Inflation-Protected Bond													
Principal Global Investors	Inflation Protection Separate Account-R6 ^{17, 20, 23}	-1.39	3.15	1.47	-	-	1.94	12/31/2004	-	94	93	-	-	0.57
	Lehman Brothers US Treas TIPS Index	4.88	15.08	5.58	5.97	7.79	-	-	-	-	-	-	-	-
	Morningstar Category Average - Inflation-Protected Bond	4.12	12.99	4.62	4.99	6.73	Total Funds in Category		161	155	118	54	13	-

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Please see important disclosures at the end of this presentation.

Disclosures

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

Investment Advisory Services are provided by Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of the Principal Financial Group®.

+ This is not a foundation option. Guarantees are backed by all the assets in the Principal Life general account.

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1. Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

2. This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

3. International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

4. High yield investment options are subject to greater credit risk associated with high yield bonds.

5. This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Payment of principal and earnings may be delayed.

6. This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although this investment option seeks to preserve the value of an investment, it is possible to lose money by investing in this portfolio.

7. Effective May 1, 2002, this portfolio was sub-advised solely by UBS Global Asset Management. Effective September 1, 2004, Emerald Advisers was added as an additional sub-advisor. Effective June 30, 2006, Essex was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

8. Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.

9. Effective November 13, 2006, this portfolio is sub-advised by Goldman Sachs Asset Management. From November 18, 2002, to November 16, 2006, the portfolio was sub-advised by Goldman Sachs Asset Management and Wellington Management Company, LLP. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

11. Effective August 24, 2004, this portfolio is sub-advised by T. Rowe Price Associates, Inc. Prior to August 24, 2004, the portfolio was sub-advised by Morgan Stanley Investment Management Inc.

13. *Effective January 5, 2005, this portfolio is sub-advised by Columbus Circle Investors. Prior to January 5, 2005, the portfolio was sub-advised by Principal Global Investors.*
14. *This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holder investing in the Separate Account. For further information on the underlying mutual fund see the prospectus of the fund.*
15. *Effective July 12, 2005, Barrow Hanley was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.*
17. *This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.*
18. *Effective August 8, 2005, Mellon Capital Management was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.*
19. *From March 1, 2006 to December 31, 2007, Bank of New York served as a sub-advisor for managing the cash portion of this investment option.*
20. *Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.*
21. *Effective March 31, 2007, references to Fidelity Management & Research as investment advisor were replaced with Fidelity (Pyramis Global Adv). This is a name change only and does not affect the management, objective, or strategy of this investment option.*
22. *Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Lehman Brothers. Prior to January 2, 2008 Post Advisory Group was a third sub-advisor for this portfolio. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.*
23. *Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.*
24. *Formerly known as Large-Cap Value Separate Account.*
26. *Formerly known as Large Company Growth Separate Account.*
27. *Formerly known as Medium Company Value Separate Account.*
29. *Formerly known as Mid-Cap Growth Separate Account.*
33. *Formerly known as International Separate Account.*
34. *Formerly known as High Yield Separate Account.*
35. *Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.*

Benchmark Descriptions

Blended Real Estate Index is composed of 75% NCREIF Open End Index and 25% MSCI US REIT Index. The NCREIF Open-end Benchmark is the open-end fund component of the NCREIF Property Index that consists of U.S. commercial real estate properties that have been acquired, at least in part, on behalf of tax-exempt institutions and are held in a fiduciary environment. The universe of properties includes wholly owned and joint venture investments, operating properties only (no development projects) and investment grade (no-agricultural) income-producing properties in the Multi-family, Industrial, Office and Retail sectors. The MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

Lehman Brothers Aggregate Bd Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Lehman Brothers Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.

Lehman Brothers US Corporate High Yld 2% Issuer Capped Index is an unmanaged index comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

Lehman Brothers US Treas TIPS Index consists of inflation-protected securities issued by the U.S. Treasury.

MSCI - EAFE Index NDTR D is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

MSCI - Emerging Markets NDTR D Index measures equity market performance in the global emerging markets. It consists of 26 emerging market countries in Europe, Latin America and the Pacific Basin.

MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

NCREIF Open End Benchmark is the open-end fund component of the NCREIF Property Index that consists of U.S. commercial real estate properties that have been acquired, at least in part, on behalf of tax-exempt institutions and are held in a fiduciary environment. The universe of properties includes wholly owned and joint venture investments, operating properties only (no development projects) and investment grade (no-agricultural) income-producing properties in the Multi-family, Industrial, Office and Retail sectors.

Preferreds Blended Index is composed of 65% Merrill Lynch Fixed Rate Preferred Securities Index and 35% Lehman Brothers U.S. Tier I Capital Securities Index.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Russell Midcap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap index having lower price-to-book ratios and lower forecasted growth values.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

The MSCI World Ex US Growth Index measures global developed market equity performance of growth securities outside of the United States. It is comprised of half the securities in the MSCI World Ex US Index, with half of the market capitalization of each country index in the Growth Index (the other half is in the Value Index).